

Portland Public Schools
Financial Statements
With Supplemental Information
June 30, 2007

Portland Public Schools

June 30, 2007

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Independent Auditor's Report



Independent Auditor's Report

To the Board of Education
Portland Public Schools
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portland Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

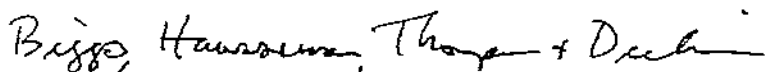
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools as of June 30, 2007 and respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2007 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portland Public Schools' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements of Portland Public Schools. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

September 13, 2007

Management's Discussion and Analysis

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

This section of the Portland Public Schools' annual financial report represents our discussion and analysis of the School District's financial performance and is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address the next and subsequent year challenges. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2007.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Portland Public Schools financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant fund - the General Fund - with all other funds presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is organized as follows:

Management's Discussion & Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets- the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most *significant funds* - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (like the Food Service Fund) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation.

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or *fiduciary* for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District As A Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

Table 1:

Net Assets Summary

	Governmental Activities	
	2007	2006
Current and other assets	\$ 5,222,702	\$ 6,077,004
Capital assets	37,401,389	36,629,452
Total assets	<u>42,624,091</u>	<u>42,706,456</u>
Current and other liabilities	\$ 6,373,941	\$ 5,785,545
Long-term liabilities	34,978,247	35,255,172
Total liabilities	<u>41,352,188</u>	<u>41,040,717</u>
Net assets		
Invested in capital assets, net of related debt	1,626,593	882,562
Restricted for debt service	198,466	38,616
Unrestricted	(553,156)	744,561
Total net assets	<u>\$ 1,271,903</u>	<u>\$ 1,665,739</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$1,271,903 at June 30, 2007. Invested in capital assets, net of related debt totaling \$1,626,593 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approval property taxes collected as the debt service comes due. Restricted net assets of \$198,466 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, (\$553,156), was unrestricted.

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

The (\$553,156) in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

Table 2:

Statement of Activities Summary

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 724,789	\$ 689,413
Grants and Catagoricals	2,037,369	2,082,158
General Revenues		
Property taxes	3,494,324	3,271,960
State foundation allowance	13,323,178	12,880,619
Other general revenues	274,757	207,281
Total revenues	<u>19,854,417</u>	<u>19,131,431</u>
Functions/Program Expenses		
Instruction	10,720,464	10,341,806
Support services	6,549,281	6,539,016
Food Service	633,240	601,948
Athletics	562,766	552,504
Community Service	130,758	120,559
Interest on long-term debt	1,651,744	1,399,349
Total expenses	<u>20,248,253</u>	<u>19,555,182</u>
Increase (decrease) in net assets	<u>\$ (393,836)</u>	<u>\$ (423,751)</u>

As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$20,248,253. Certain activities were partially funded from those who benefited from the program (\$724,789) or by governments and organizations that subsidized certain programs with grants and catagoricals (\$2,037,369). We paid for the remaining "public benefit" portion of our governmental activities with \$3,494,324 in taxes, \$13,323,178 in state Foundation Allowance, and with our other revenues, like interest and general entitlements.

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

The School District experienced a decrease in net assets of \$393,836. The main reason for this decrease is that the School District borrowed \$694,121 from the State of Michigan School Bond Revolving Fund. In addition to this borrowing, the School District accrued interest equaling \$229,348 on the total amount borrowed from the School Bond Revolving Fund.

This borrowing was necessary to pay the bi-annual principal and interest payments on the School District's General Obligation Bonds. The School District does not receive enough debt service property tax revenues to pay the current year bond obligations. It is estimated that the School District will need to borrow from the School Bond Revolving Fund for another three to five years in order to meet future bond obligations. It is then expected that debt service property tax revenues will exceed the bond payment amounts and the debt incurred with the School Bond Revolving Fund will begin to be paid down.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School District is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School District's overall financial health.

As the School District completed this year; our governmental funds reported a combined fund balance of \$1,322,940, which is an increase of \$139,766 from last year. The primary reasons for these are:

Our general fund is our principal operating fund. The fund balance in the general fund decreased \$10,162 to \$1,124,095. The primary reason for this increase in combined fund balance is that our General Fund State source revenues increased \$556,140. This increased revenue was enough to offset increases in our three main General Fund expenditures—salaries, health insurance and retirement costs.

Our special revenue fund balances were unchanged from the previous year.

The debt service funds showed a increase of approximately \$149,928. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

The Uniform Budget Act requires that the local Board of Education approve the original budget for the upcoming year prior to July 1.

Over the course of the year, the district's practice is to revise the budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure expenditures do not exceed appropriations.

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

Budget revenues were increased \$3,311 from the original budget.

Budget expenditures were increased \$579,872 to more closely reflect program expenditures.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the School District had \$36,102,660 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$526,792, or 1.4%, from last year.

Capital Assets at Year-end		
	June 30	
	<u>2007</u>	<u>2006</u>
Land	\$ 77,000	\$ 77,000
Construction in progress	378,748	222,660
Buildings and additions	32,484,498	32,633,377
Site improvements	922,902	993,080
Buses and other vehicles	581,424	623,641
Furniture and equipment	<u>1,658,088</u>	<u>2,079,694</u>
Total capital assets	<u>\$ 36,102,660</u>	<u>\$ 36,629,452</u>

This year's additions of \$768,310 included school buses and building improvements to the middle school roof and high school roof. A note of \$641,700 was taken out to finance the high school roof repairs, and is discussed in greater detail in the Notes to Financial Statements.

Debt

At the end of this year, the School District had \$29,351,209 in bonds outstanding versus \$30,821,209 last year - a decrease of \$1,470,000. Those bonds consisted of:

Outstanding Debt at Year-end		
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
General obligation bonds	<u>\$ 29,351,209</u>	<u>\$ 30,821,209</u>

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

The School District's general obligation bond rating continues equivalent to the State's credit rating. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$29,351,209 is significantly below the statutory imposed limit. Other obligations include termination benefits and a School Bond Loan.

The borrowings and accrued interest owed to the School Bond Loan fund increased \$923,469 during the year.

We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets And Rates

Our elected officials and administration consider many factors when setting the School District's 2006-2007 fiscal year budget and tax rates. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007 fiscal year is 25% and 75% of the February 2007 and September 2007 student counts, respectively. The 2007-2008 budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 90% of total general fund revenue is from the Foundation Allowance.

Under State law, the School District cannot access additional property tax revenue for general operations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will be lower than the currently approved 2007-2008 budget and will require a budget amendment after the count is final.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State of Michigan's economy continues to struggle. The state has currently budgeted a foundation allowance of \$7,085 per pupil, which is unchanged from the previous year.

Portland Public Schools
Management's Discussion and Analysis
June 30, 2007

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Scott Brown
Finance Director
Portland Public Schools
1100 Ionia Rd.
Portland, MI 48875
(517) 647-4161

Government-Wide Financial Statements

Portland Public Schools
Statement of Net Assets
June 30, 2007

Assets	<u>Governmental Activities</u>
Current Assets	
Cash and investments	\$ 2,404,451
Accounts receivable	123,260
Due from other governments	2,608,413
Inventory	7,705
Prepaid expense	78,873
Total current assets	<u>5,222,702</u>
Noncurrent Assets	
Deferred charges, net of amortization	1,298,729
Capital assets	51,122,726
Less: accumulated depreciation	<u>(15,020,066)</u>
Total noncurrent assets	<u>37,401,389</u>
Total Assets	<u><u>\$ 42,624,091</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 492,757
Salaries payable	1,002,922
Payroll deductions and withholdings	267,920
Accrued interest payable	850,767
State aid anticipation note payable	2,070,000
Long-term liabilities due within one year	
Bonds payable- due within one year	1,470,000
Leases and other loans due within one year	<u>219,575</u>
Total Current Liabilities	6,373,941
Noncurrent Liabilities	
Bonds and other loans payable	34,085,221
Compensated absences, not due within one year	<u>893,026</u>
Total Noncurrent Liabilities	<u>34,978,247</u>
Total Liabilities	41,352,188
Net Assets	
Investment in capital assets- net of related debt	1,626,593
Restricted for debt service	198,466
Unrestricted	<u>(553,156)</u>
Total Net Assets	<u><u>\$ 1,271,903</u></u>

Portland Public Schools
Statement of Activities
June 30, 2007

	Program Revenues			Governmental Activities
	Expenses	Charges for Service	Operating Grants	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Instruction	10,720,464	31,724	1,739,792	\$ (8,948,948)
Support services	6,549,281	13,126	82,343	(6,453,812)
Food service	633,240	410,433	215,234	(7,573)
Athletics	562,766	106,383	0	(456,383)
Community services	130,758	163,123	0	32,365
Interest on long- term debt	1,651,744	0	0	(1,651,744)
Total governmental activities	<u>\$ 20,248,253</u>	<u>\$ 724,789</u>	<u>\$ 2,037,369</u>	(17,486,095)
General revenues:				
Taxes				
Property taxes, levied for general purpose				1,158,178
Property taxes, levied for debt service				2,336,146
State aid not restricted to specific purposes				13,323,178
Interest and investment earnings				57,455
Other				<u>217,302</u>
Total general revenues				<u>17,092,259</u>
Changes in Net Assets				(393,836)
Net Assets- Beginning of year				<u>1,665,739</u>
Net Assets-End of year				<u>\$ 1,271,903</u>

Fund Financial Statements

Portland Public Schools
Governmental Funds
Balance Sheet
June 30, 2007

	General	Other Non-Major Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 2,246,331	\$ 158,120	\$ 2,404,451
Accounts receivable	79,121	44,139	123,260
Due from other funds	42,157	42,522	84,679
Due from other governments	2,603,066	5,347	2,608,413
Inventory	0	7,705	7,705
Prepaid expenses	74,377	4,496	78,873
Total assets	\$ 5,045,052	\$ 262,329	\$ 5,307,381
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 483,338	\$ 9,419	\$ 492,757
Salaries payable	993,475	9,447	1,002,922
Payroll deductions and withholdings	265,459	2,461	267,920
Due to other funds	42,522	42,157	84,679
Accrued interest payable	66,163	0	66,163
State aid anticipation note payable	2,070,000	0	2,070,000
Total Liabilities	3,920,957	63,484	3,984,441
Fund Equity			
Fund balances			
Reserved for prepaid items	74,377	0	74,377
Designated for debt retirement	0	198,466	198,466
Unreserved and undesignated, food service	0	379	379
Designated for middle school roof	266,703	0	266,703
Undesignated	783,015	0	783,015
Total fund equity	1,124,095	198,845	1,322,940
Total liabilities and fund equity	\$ 5,045,052	\$ 262,329	\$ 5,307,381

Portland Public Schools
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets
June 30, 2007

Total fund Balances- Governmental Funds	\$	1,322,940
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Amounts reported for governmental activities
in the statement of net assets are different because:

Capital assets used in government activities
are not financial resources, and are not reported in the funds

Deferred charges, net of amortization	\$	1,298,729	
Capital assets cost:		51,122,726	
Accumulated depreciation:		<u>(15,020,066)</u>	
Net Capital Assets			37,401,389

Long term and other liabilities are not due and payable
in the current period and are not reported in the funds

Bonds and other loans payable		(29,609,882)	
Accrued interest		(784,604)	
Compensated absences		(893,026)	
Other loans payable and liabilities		(1,491,002)	
School Bond Loan payable		<u>(4,673,912)</u>	

Net Assets of Governmental Activities	\$	<u>1,271,903</u>
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Portland Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,443,913	\$ 3,032,325	\$ 4,476,238
State sources	14,439,139	30,817	14,469,956
Federal sources	239,211	184,417	423,628
Other	484,595	0	484,595
Total revenues	16,606,858	3,247,559	19,854,417
Expenditures			
Instruction			
Basic programs	7,984,896	0	7,984,896
Added needs	1,616,534	0	1,616,534
Adult and continuing education	209,193	0	209,193
Support services			
Pupil	642,859	0	642,859
Instructional staff	852,749	0	852,749
General administration	276,484	0	276,484
School administration	1,038,819	0	1,038,819
Business and central services	312,958	0	312,958
Operations and maintenance	1,532,937	0	1,532,937
Transportation	1,139,763	0	1,139,763
Athletics	0	515,641	515,641
Food service	0	628,080	628,080
Community services	0	130,758	130,758
Capital outlay	899,868	24,530	924,398
Other transactions	246,614	4,157	250,771
Debt services			
Redemption of bonds/notes	346,657	1,470,000	1,816,657
Interest and fiscal charges	29,389	1,416,586	1,445,975
Total expenditures	17,129,720	4,189,752	21,319,472
Excess (deficiency) of revenues over expenditures	(522,862)	(942,193)	(1,465,055)
Other financing sources (uses)			
Proceeds from School Bond Loan Fund	0	694,121	694,121
Proceeds from long term debt	910,700	0	910,700
Operating transfers in	32,365	430,365	462,730
Operating transfers out	(430,365)	(32,365)	(462,730)
Total other financing sources (uses)	512,700	1,092,121	1,604,821
Excess (deficiency) of revenues over expenditures and other sources (uses)	(10,162)	149,928	139,766
Fund balances at beginning of year	1,134,257	48,917	1,183,174
Fund balances at end of year	\$ 1,124,095	\$ 198,845	\$ 1,322,940

See accompanying notes to financial statements

Portland Public Schools
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2007

Net Change in fund Balances- Total Governmental funds	\$ 139,766
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds reported capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(1,451,190)
Capital outlay	924,398
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	12,320
Proceeds and repayments of principal on long-term debt are other financing sources and expenditures in the governmental funds, but not in the statement of activities (where they are additions and reductions of liabilities)	
Principal repayment	1,816,657
Proceeds from debt issuance	(910,700)
Proceeds from school bond loan fund	(694,121)
Bond issuance costs amortization	11,259
Accrued interest on school bond loan fund	(229,348)
Payment on capital leases are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	18,931
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Change in accrued compensated absences	<u>(31,808)</u>
Net Change in fund Balances- Governmental Activities	<u>\$ (393,836)</u>

Portland Public Schools
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Funds- Student Activities</u>
Assets	
Cash and Cash Equivalents	\$ 63,815
Accounts Receivable	<u>95,000</u>
Total Assets	<u><u>\$ 158,815</u></u>
Liabilities	
Due to Student groups	<u><u>\$ 158,815</u></u>

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Portland Public Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The District does not allocate indirect costs.

The District first utilizes restricted resources to finance qualifying activities.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund, Community Service Fund and Food Services Fund.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects funds are used to account for the construction of fixed assets.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes assessed as of December 31 and the related property taxes are levied and become a lien on December 1. These taxes are billed on December 1st and are due February 15th. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture Commodities inventory received by the Food Service Fund are recorded as revenue and expensed when received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipments, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Portland Public Schools

Notes to Financial Statements

June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual vacation and sick pay balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the district's financial statements.

Use of Estimates- The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were three amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function-General Fund	Final Budget	Amount of Expenditures	Variance
Basic Programs	\$ 7,975,468	\$ 7,984,896	\$ 9,428
Adult and continuing education	206,685	209,193	2,508
School administration	1,034,602	1,038,819	4,217
Business and central services	307,632	312,958	5,326
Operations and maintenance	1,517,386	1,532,937	15,551
Transportation	1,137,543	1,139,763	2,220
Debt-principal	131,774	346,657	214,883
Interest and Fiscal charges	28,750	29,389	639
Capital outlay	642,507	810,807	168,300

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 3 – Deposits and Investments

At year-end, the school district had no investments. All liquid assets were located in deposit accounts.

Interest rate risk. The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2007, \$2,534,387 of the School District's bank balance of \$2,734,387 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Custodial credit risk- investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial control credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits-including Fiduciary Funds of \$63,815	\$ 2,467,110
Petty cash	1,155
Investments	0
Total	<u>\$ 2,468,265</u>

The above amounts are reported in the financial statements as follows:

Cash-Fiduciary Fund	\$ 63,815
Cash and cash equivalents-District Wide	2,404,450
Investments-District Wide	0
Total	<u>\$ 2,468,265</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 4 – Receivables

Receivables as of year-end for the school district's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major and Other Funds	Total
Receivables:			
Various	\$ 79,121	\$ 44,139	\$ 123,260
Intergovernmental	2,603,066	5,347	2,608,413
Net Receivables	<u>\$ 2,682,187</u>	<u>\$ 49,486</u>	<u>\$ 2,731,673</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Payments received prior to meeting all eligibility requirements:	<u>\$0</u>

Note 5 – Capital Assets

Capital asset activity of the school district's Governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Assets not being depreciated:				
Land	\$ 77,000	\$ 0	\$ 0	\$ 77,000
Construction in progress	222,660	378,748	222,660	378,748
Capital assets being depreciated:				
Building and building improvements	40,239,069	666,165	0	40,905,234
Site Improvements	1,830,850	0	0	1,830,850
Furniture and equipment	6,179,012	24,530	0	6,203,542
Buses and other vehicles	1,712,768	77,615	63,031	1,727,352
Subtotal	49,961,699	768,310	63,031	50,666,978
Accumulated depreciation:				
Building and building improvements	7,605,692	815,044	0	8,420,736
Site Improvements	837,770	70,178	0	907,948
Furniture and equipment	4,099,318	446,136	0	4,545,454
Buses and other vehicles	1,089,127	119,832	63,031	1,145,928
Subtotal	13,631,907	1,451,190	63,031	15,020,066
Net capital assets being depreciated	36,329,792	(682,880)	0	35,646,912
Net capital assets	<u>\$ 36,629,452</u>	<u>\$ (304,132)</u>	<u>\$ 222,660</u>	<u>\$ 36,102,660</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to activities of the school as follows:

Governmental Activities

Instruction	\$ 881,667
Support Services	517,805
Food Services	4,593
Athletics	47,125
	<u>\$ 1,451,190</u>

Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due From	Fund Due To		Total
	General Fund	Other Nonmajor Funds	
General Fund	\$ 0	\$ 42,522	\$ 42,522
Other Nonmajor Funds	42,157	0	42,157
Total	<u>\$ 42,157</u>	<u>\$ 42,522</u>	<u>\$ 84,679</u>

	Transfer Out		Total
	General Fund	Non-major Funds	
Transfer in:			
General Fund-operations	\$ 0	\$ 32,365	\$ 32,365
Other Nonmajor Funds-operations	430,365	0	430,365
	<u>\$ 430,365</u>	<u>\$ 32,365</u>	<u>\$ 462,730</u>

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 7 – Long-Term Debt

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include severance pay, school bond loan fund payable and two leases.

Long-term obligation activity can be summarized as follows:

	Beginning balance	Additions	Deletions	Ending Balance	Amount due within one year
Bonds	\$ 30,821,209	\$ 0	\$ 1,470,000	\$ 29,351,209	\$ 1,470,000
School Bond Loan Fund	3,979,791	694,121	0	4,673,912	0
Contracts/loans payable	880,282	910,700	346,657	1,444,325	199,209
Capital lease	65,608	0	18,931	46,677	20,366
Compensated absences	861,218	31,808	0	893,026	0
Premium on bonds	280,229	0	21,556	258,673	0
Discount on bonds	(127,382)	0	(5,538)	(121,844)	0
Deferred amount on refunding and bond issuance costs	(1,181,644)	0	(4,759)	(1,176,885)	0
Total	\$ 35,579,311	\$ 1,636,629	\$ 1,846,847	\$ 35,369,093	\$ 1,689,575

Annual debt service requirements, to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,470,000	\$ 1,317,754	\$ 2,787,754
2009	1,484,252	1,260,740	2,744,992
2010	1,484,930	1,197,661	2,682,591
2011	1,485,641	1,136,782	2,622,423
2012	1,586,385	1,075,197	2,661,582
2013-2017	6,760,001	4,280,215	11,040,216
2018-2022	6,105,000	2,853,860	8,958,860
2023-2027	6,355,000	1,385,106	7,740,106
2028-2029	2,620,000	167,680	2,787,680
Total	\$ 29,351,209	\$ 14,674,995	\$ 44,026,204

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 7 – Long-Term Debt (Continued)

General obligation bonds and leases payable consist of:

\$7,440,000 serial bond due in annual installments of \$45,000 to \$1,215,000 through May 1, 2019, interest at 3.25% to 5.0%	\$ 7,350,000
\$6,525,000 serial bond due in annual installments of \$1,280,000 to \$1,315,000 through May 1, 2029, interest at 4.1% to 4.3%	6,525,000
\$4,920,000 serial bond due in annual installments of \$615,000 through May 1, 2013, interest at 4.1% to 5.0%	3,690,000
\$12,085,000 serial bond due in annual installments of \$120,000 to \$1,225,000 through May 1, 2024, interest at 4.0% to 5.5%	10,695,000
\$1,170,000 serial bond due in annual installments of \$115,000 to \$120,000 through May 1, 2015, interest at 4.6% to 5.15%	940,000
Durant School Improvement Bonds of 1999 due in annual installments of \$14,252 to \$90,001 through May, 2013; variable interest rate. The State of Michigan is the only revenue source for making the annual debt service payment on the bonds. On or about, May 10, 2007, the State of Michigan refinanced these bonds to eliminate the annual payments due May 2007 through May 2008. An additional lump sum payment of \$90,001 is now scheduled for 2013.	151,209
Subtotal - Bonds Payable	29,351,209
School Bond Loan payable when the Debt Retirement Funds have excess funds as determined by the State. Interest is determined each year by the State. The interest rate is 4.75% at June 30, 2007.	4,673,912
\$219,000 Bus contract due in annual installments of \$19,860 to \$93,388 through July 15, 2010, interest at 4.935%	219,000
\$634,988 installment purchase agreement due in annual installments of \$53,741 to \$77,189 through May 1, 2016, interest at 4.63%	583,625
\$641,700 installment purchase agreement due in annual installments of \$52,080 to \$77,719 through May 9, 2017, interest at 4.47%	641,700
Capital Leases-The School District has several capital leases for copy machines. Lease payments extend through March, 2010.	46,677
Compensated Absences	893,026
Unamortized premium on bonds	258,673
Unamortized discount on bonds	(121,844)
Unamortized deferred amount on refunding and bond issuance costs	(1,176,885)
Total Long-term Debt	\$ 35,369,093

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 7 – Long-Term Debt (Continued)

Durant Non-Plaintiff Bond – Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$17,982 to \$120,826 associated with this Bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

Note 8 – Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for all risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Portland Public Schools
Notes to Financial Statements
June 30, 2007

Note 9 – Defined Benefit Pension Plan and Post Retirement Benefits (Continued)

The pension benefit rate totaled 16.34 percent for the period from July 1, 2006 to September 30, 2006, and 17.74 percent from October 1, 2006 through June 30, 2007, for the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$1,629,550, \$1,450,789 and 1,294,590, respectively.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these overages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision overages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Note 10 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any to be minimal.

The School District is involved in lawsuits from time to time. The ultimate outcome of any of these lawsuits cannot be presently determined; and the amount of damages, if any, cannot be determined at this time.

Note 11 – Subsequent Event

At June 30, 2007, the District had an outstanding \$2,070,000 revenue note (State aid note), dated August 20, 2006. The note, which has an interest rate of 3.68%, matures on August 20, 2007. A new note of \$1,940,000 was taken out in August, 2007 with an interest rate of 3.68%. The notes are secured by the full faith and credit of the district.

Required Supplemental Information

Portland Public Schools
Required Supplemental Information
Budgetary Comparison Schedule- General Fund
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,159,735	\$ 1,481,598	\$ 1,443,913	\$ (37,685)
State sources	14,647,126	14,440,141	14,439,139	(1,002)
Federal sources	308,786	253,519	239,211	(14,308)
Other	530,000	473,700	484,595	10,895
Total revenues	16,645,647	16,648,958	16,606,858	(42,100)
Expenditures				
Instruction				
Basic programs	7,872,725	7,975,468	7,984,896	(9,428)
Added needs	1,804,207	1,640,122	1,616,534	23,588
Adult and continuing education	191,409	206,685	209,193	(2,508)
Support services				
Pupil	648,503	646,925	642,859	4,066
Instructional staff	788,047	853,911	852,749	1,162
General administration	290,998	278,177	276,484	1,693
School administration	1,013,847	1,034,602	1,038,819	(4,217)
Business and central services	311,160	307,632	312,958	(5,326)
Operations and maintenance	1,584,696	1,517,386	1,532,937	(15,551)
Transportation	1,231,631	1,137,543	1,139,763	(2,220)
Other transactions	260,368	247,574	246,614	960
Capital Outlay	0	731,568	899,868	(168,300)
Debt Service				
Redemption of notes	131,254	131,774	346,657	(214,883)
Interest and fiscal charges	29,400	28,750	29,389	(639)
Total expenditures	16,158,245	16,738,117	17,129,720	(391,603)
Excess (deficiency) of revenues over expenditures	487,402	(89,159)	(522,862)	(433,703)
Other financing sources (uses)				
Proceeds from long term debt	0	691,700	910,700	219,000
Operating transfers in	25,383	21,609	32,365	10,756
Operating transfers out	(450,486)	(437,789)	(430,365)	7,424
Total other financing sources (uses)	(425,103)	275,520	512,700	237,180
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ 62,299	\$ 186,361	(10,162)	\$ (196,523)
Fund balances at beginning of year			1,134,257	
Fund balances at end of year			\$ 1,124,095	

Other Supplemental Information

Portland Public Schools
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Nonmajor Special Revenue Funds				Other Nonmajor Funds						Nonmajor Governmental Funds
	Food Service	Community Services	Athletics		1997	2001	2002	2005	2006		
				Durant	Refunding Debt	Building Debt	Refunding Debt	Refunding Debt	Refunding Debt	Capital Projects	Total
Assets											
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,216	\$ 73,159	\$ 49,208	\$ 13,889	\$ 11,648	\$ 0	\$ 158,120
Accounts Receivable	40,641	3,498	0	0	0	0	0	0	0	0	44,139
Due from other funds	0	1,847	1,048	0	2,501	17,741	13,225	3,689	2,471	0	42,522
Due from other governments	4,628	0	0	0	46	322	236	69	46	0	5,347
Taxes receivable	0	0	0	0	0	0	0	0	0	0	0
Inventory of supplies - at cost	7,705	0	0	0	0	0	0	0	0	0	7,705
Prepaid items	2,291	813	1,392	0	0	0	0	0	0	0	4,496
Total Assets	\$ 55,265	\$ 6,158	\$ 2,440	\$ 0	\$ 12,763	\$ 91,222	\$ 62,669	\$ 17,647	\$ 14,165	\$ 0	\$ 262,329
Liabilities											
Accounts payable	\$ 9,419	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,419
Payroll deductions and withholdings	0	1,247	1,214	0	0	0	0	0	0	0	2,461
Due to other funds	42,157	0	0	0	0	0	0	0	0	0	42,157
Salaries payable	3,310	4,911	1,226	0	0	0	0	0	0	0	9,447
Total Liabilities	54,886	6,158	2,440	0	0	0	0	0	0	0	63,484
Fund Balance	379	0	0	0	12,763	91,222	62,669	17,647	14,165	0	196,845
Total Liabilities and Fund Balance	\$ 55,265	\$ 6,158	\$ 2,440	\$ 0	\$ 12,763	\$ 91,222	\$ 62,669	\$ 17,647	\$ 14,165	\$ 0	\$ 262,329

Portland Public Schools
Other Supplemental Information
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Non Major Governmental Funds
Year Ended June 30, 2007

	Nonmajor Special Revenue Funds					Other Nonmajor Funds					Total Nonmajor Governmental Funds
	Food Service	Community Services	Athletics	Durant	1997 Refunding Debt	2001 Building Debt	2002 Refunding Debt	2005 Refunding Debt	2006 Refunding Debt	Capital Projects	
Revenues											
Local sources											
Property taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,565	\$ 1,045,703	\$ 766,002	\$ 222,490	\$ 149,366	\$ 0	\$ 2,336,146
Lunch sales	410,433	0	0	0	0	0	0	0	0	0	410,433
Game receipts & fees	0	163,123	106,383	0	0	0	0	0	0	0	269,506
Interest	0	0	0	0	1,056	7,237	5,301	1,540	1,034	71	16,239
Total Local Sources	410,433	163,123	106,383	0	153,621	1,052,941	771,303	224,030	150,420	71	3,032,324
Federal and state sources											
State aid-matching funds	30,817	0	0	0	0	0	0	0	0	0	30,817
Federal aid	150,346	0	0	0	0	0	0	0	0	0	150,346
Federal commodities	34,071	0	0	0	0	0	0	0	0	0	34,071
Total Federal and State Sources	215,234	0	0	0	0	0	0	0	0	0	215,234
Total Revenues	625,667	163,123	106,383	0	153,621	1,052,941	771,303	224,030	150,420	71	3,247,558
Expenditures											
Food & supplies	281,122	3,172	0	0	0	0	0	0	0	0	284,294
Salaries & wages	141,178	92,045	298,879	0	0	0	0	0	0	0	532,102
Fringe benefits	60,332	31,511	91,938	0	0	0	0	0	0	0	183,781
Other	145,448	4,030	124,824	0	0	0	0	0	0	4,157	272,459
Capital Outlay	11,312	0	7,382	0	0	0	0	0	0	5,836	24,530
Debt Service	0	0	0	0	115,000	695,000	615,000	45,000	0	0	1,470,000
Redemption of Serial Bonds	0	0	0	0	51,565	543,700	197,267	322,163	310,660	0	1,415,345
Interest	0	0	0	0	0	0	0	0	0	0	0
Bond Issue Costs	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	300	250	250	241	200	0	1,241
Total Expenditures	539,392	130,758	523,023	0	166,855	1,238,950	802,517	367,404	310,660	9,993	4,169,752
Excess (deficiency) of revenues over expenditures	{13,725}	32,365	{416,640}	0	{13,234}	{186,009}	{31,214}	{143,374}	{160,440}	{9,922}	{942,194}
Other financing sources (uses)											
Proceeds from school bond loan fund	0	0	0	0	8,924	272,838	89,376	148,137	174,846	0	694,121
Bond premium	0	0	0	0	0	0	0	0	0	0	0
Transfer to escrow agent	0	0	0	0	0	0	0	0	0	0	0
Operating transfers in (out)	13,725	{32,365}	416,640	0	0	0	0	0	0	0	398,000
Total Other Financing Sources	13,725	{32,365}	416,640	0	8,924	272,838	89,376	148,137	174,846	0	\$ 1,092,121
Excess (deficiency) of revenues over expenditures & other sources (uses)	0	0	0	0	{4,310}	66,829	56,162	4,763	14,406	{9,922}	149,927
Fund balances at beginning of year	379	0	0	0	17,073	4,393	4,507	12,064	{241}	9,922	40,917
Fund balances at end of year	\$ 379	\$ 0	\$ 0	\$ 0	\$ 12,763	\$ 91,222	\$ 62,669	\$ 17,647	\$ 14,165	\$ 0	\$ 196,245

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
<u>Local sources</u>			
Property tax levy	\$ 1,189,398	\$ 1,158,178	\$ (31,220)
Transport fees	10,500	13,126	2,626
Earnings on investments	55,000	41,216	(13,784)
Community service activities	23,500	31,724	8,224
Miscellaneous	203,200	199,669	(3,531)
Total local revenue	1,481,598	1,443,913	(37,685)
<u>State sources</u>			
State Aid			
Foundation grant-unrestricted	13,377,230	13,323,178	(54,052)
Restricted grants	1,062,911	1,115,961	53,050
Total state sources	14,440,141	14,439,139	(1,002)
<u>Federal sources</u>			
Restricted grants	253,519	239,211	(14,308)
Total federal sources	253,519	239,211	(14,308)
<u>Other sources</u>			
ISD Transfers	456,200	466,964	10,764
Other	17,500	17,631	131
Total other sources	473,700	484,595	10,895
Total revenues	16,648,958	16,606,858	(42,100)

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
Expenditures			
Instruction			
Basic programs			
Elementary instruction			
Salaries	2,506,238	2,506,774	(536)
Employee benefits	1,280,430	1,277,834	2,596
Purchased services	3,500	3,654	(154)
Supplies and materials	43,660	44,209	(549)
Other	2,831	994	1,837
Total elementary	3,836,659	3,833,465	3,194
Middle school instruction			
Salaries	1,157,250	1,166,503	(9,253)
Employee benefits	605,677	601,099	4,578
Purchased services	400	773	(373)
Supplies and materials	28,939	29,473	(534)
Other	550	755	(205)
Total middle school	1,792,816	1,798,603	(5,787)
High school instruction			
Salaries	1,510,650	1,520,170	(9,520)
Employee benefits	770,993	770,056	937
Purchased services	27,100	29,483	(2,383)
Supplies and materials	34,500	29,309	5,191
Other	2,750	3,810	(1,060)
Total high school	2,345,993	2,352,828	(6,835)
Total basic programs	7,975,468	7,984,896	(9,428)

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Added needs</u>			
Special education			
Salaries	936,715	921,696	15,019
Employee benefits	484,845	483,319	1,526
Purchased services	1,250	709	541
Supplies and materials	2,295	2,481	(186)
Other	1,150	737	413
Total special education	1,426,255	1,408,942	17,313
Compensatory education			
Salaries	76,531	75,662	869
Employee benefits	31,468	30,444	1,024
Purchased services	0	116	(116)
Other	5,130	734	4,396
Total at-risk	113,129	106,956	6,173
Vocational education			
Salaries	68,038	68,453	(415)
Employee benefits	32,200	32,183	17
Supplies and materials	500	0	500
Total compensatory education	100,738	100,636	102
Total added needs	1,640,122	1,616,534	23,588
Adult and continuing education-secondary			
Salaries	154,500	156,392	(1,892)
Employee benefits	39,635	39,452	183
Purchased services	0	308	(308)
Supplies and materials	11,050	10,898	152
Other	1,500	2,143	(643)
Total enrichment education	206,685	209,193	(2,508)
Total adult and continuing education	206,685	209,193	(2,508)
Total instruction	9,822,275	9,810,623	11,652

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Supporting services</u>			
Pupil services			
Guidance services			
Salaries	233,742	234,385	(643)
Employee benefits	119,829	118,531	1,298
Purchased services	900	900	0
Total guidance services	354,471	353,816	655
Health services			
Purchased services	32,000	31,963	37
Supplies and materials	0	498	(498)
Total health services	32,000	32,461	(461)
Speech services			
Salaries	110,146	110,136	10
Employee benefits	57,920	57,290	630
Purchased services	50,000	47,638	2,362
Supplies and materials	900	716	184
Total speech services	218,966	215,780	3,186
Teacher consultant			
Salaries	26,966	26,841	125
Employee benefits	14,522	13,961	561
Total teacher consultant	41,488	40,802	686
Total pupil services	646,925	642,859	4,066

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Instructional staff</u>			
Improvement of instruction			
Salaries	0	5,812	(5,812)
Employee benefits	0	2,303	(2,303)
Purchased services	39,453	16,525	22,928
Supplies and materials	49,775	53,440	(3,665)
Other	6,087	6,257	(170)
Total improvement of instruction	95,315	84,337	10,978
Educational media services			
Salaries	97,911	98,640	(729)
Employee benefits	81,999	81,671	328
Purchased services	4,600	3,374	1,226
Supplies and materials	11,455	10,400	1,055
Other	0	35	(35)
Total educational media services	195,965	194,120	1,845
Technology assisted instruction			
Salaries	82,261	82,984	(723)
Employee benefits	40,254	39,399	855
Purchased services	219,700	228,333	(8,633)
Supplies and materials	57,500	57,099	401
Other	1,000	2,286	(1,286)
Total technology assisted instruction	400,715	410,101	(9,386)
Supervision and direction of instructional staff			
Salaries *	98,097	97,011	1,086
Employee benefits	61,069	63,647	(2,578)
Purchased services	2,500	3,453	(953)
Other	250	80	170
Total supervision and direction	161,916	164,191	(2,275)
Total instructional staff	853,911	852,749	1,162

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>General administration</u>			
Board of education			
Purchased services	48,300	45,966	2,334
Other	7,000	7,157	(157)
Total board of education	55,300	53,123	2,177
Executive administration			
Salaries	134,059	134,682	(623)
Employee benefits	85,918	85,637	281
Purchased services	2,250	2,394	(144)
Other	650	648	2
Total executive administration	222,877	223,361	(484)
Total general administration	278,177	276,484	1,693
<u>School administration</u>			
Office of the principal			
Salaries	557,502	560,091	(2,589)
Employee benefits	307,363	309,821	(2,458)
Purchased services	4,000	3,942	58
Supplies and materials	3,050	2,951	99
Other	5,035	4,368	667
Total office of the principal	876,950	881,173	(4,223)
Other school administration			
Salaries	87,054	87,148	(94)
Employee benefits	63,289	63,065	224
Purchased services	5,509	5,567	(58)
Supplies and materials	800	732	68
Other	1,000	1,134	(134)
Total other school admin	157,652	157,646	6
Total school administration	1,034,602	1,038,819	(4,217)

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Business services</u>			
Fiscal services			
Salaries	106,103	106,986	(883)
Employee benefits	63,517	63,568	(51)
Purchased services	33,584	31,409	2,175
Supplies and materials	3,000	3,106	(106)
Other	6,650	7,661	(1,011)
Total fiscal services	212,854	212,730	124
Other business services			
Purchased services	5,606	5,606	0
Other	89,172	94,622	(5,450)
Total other business services	94,778	100,228	(5,450)
Total business services	307,632	312,958	(5,326)
<u>Operation and maintenance</u>			
Salaries	252,417	263,132	(10,715)
Employee benefits	181,057	183,328	(2,271)
Purchased services	449,715	456,486	(6,771)
Supplies and materials	631,232	627,035	4,197
Other	2,965	2,956	9
Total operation and maintenance	1,517,386	1,532,937	(15,551)
<u>Transportation services</u>			
Salaries	551,571	560,065	(8,494)
Employee benefits	306,105	308,802	(2,697)
Purchased services	28,617	28,930	(313)
Supplies and materials	248,150	238,926	9,224
Other	3,100	3,040	60
Total transportation services	1,137,543	1,139,763	(2,220)

Portland Public Schools
Other Supplemental Information
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2007

	2007		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Intergovernmental payments</u>			
Payments to other public schools	247,574	246,614	960
<u>Capital outlay</u>			
Operations and maintenance	642,507	810,807	(168,300)
Pupil transportation services	89,061	89,061	0
Total capital outlay	731,568	899,868	(168,300)
<u>Debt service</u>			
Principal	131,774	346,657	(214,883)
Interest	28,750	29,389	(639)
Total debt service	160,524	376,046	(215,522)
Total expenditures	16,738,117	17,129,720	(391,603)
Excess (deficiency) of revenue over expenditures	(89,159)	(522,862)	(433,703)
<u>Other financing sources (uses)</u>			
Proceeds from long term debt	691,700	910,700	219,000
Transfers from other funds	21,609	32,365	10,756
Transfers to other funds	(437,789)	(430,365)	7,424
Total other financing sources (uses)	275,520	512,700	237,180
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	\$ 186,361	(10,162)	\$ (196,523)
Fund balance at beginning of year		1,134,257	
Fund balance at end of year		\$ 1,124,095	

Portland Public Schools
Other Supplemental Information
Special Revenue Funds
Statement of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
Year Ended June 30, 2007

	Budget	Food Service Actual	Difference
Revenues			
Local sources			
Lunch sales	\$ 410,480	\$ 410,433	\$ (47)
Game receipts & fees	0	0	0
Total Local Sources	410,480	410,433	(47)
Federal and state sources			
State aid-matching funds	30,810	30,817	7
Federal aid	150,350	150,346	(4)
Federal commodities	0	34,071	34,071
Total Federal and State Sources	181,160	215,234	34,074
Total Revenues	591,640	625,667	34,027
Expenditures			
Food & supplies	233,600	281,122	(47,522)
Salaries & wages	136,884	141,178	(4,294)
Fringe benefits	61,538	60,332	1,206
Repairs & capital outlay	0	11,312	(11,312)
Other	148,964	145,448	3,516
Total Expenditures	580,986	639,392	(58,406)
Excess (deficiency) of revenues over expenditures	10,654	(13,725)	(24,379)
Other financing sources (uses)			
Operating transfers in (out)	(10,654)	13,725	(24,379)
Excess (deficiency) of revenues over expenditures & other sources (uses)	\$ 0	0	\$ 0
Fund balances at beginning of year		379	
Fund balances at end of year		\$ 379	

Community Services			Athletic Fund		
Budget	Actual	Difference	Budget	Actual	Difference
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
150,000	163,123	13,123	103,840	106,383	2,543
150,000	163,123	13,123	103,840	106,383	2,543
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
150,000	163,123	13,123	103,840	106,383	2,543
2,200	3,172	(972)	0	0	0
89,551	92,045	(2,494)	305,273	298,879	6,394
32,840	31,511	1,329	94,442	91,938	2,504
0	0	0	7,382	7,382	0
3,800	4,030	(230)	145,186	124,824	20,362
128,391	130,758	(2,367)	552,283	523,023	29,260
21,609	32,365	10,756	(448,443)	(416,640)	31,803
(21,609)	(32,365)	10,756	448,443	416,640	31,803
\$ 0	0	\$ 0	\$ 0	0	\$ 0
	0			0	
	\$ 0			\$ 0	

Portland Public Schools
Other Supplemental Information
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2007

Student Activity Funds

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash And Cash Equivalents	\$ 128,045	\$ 430,472	\$ 494,702	\$ 63,815
Accounts Receivable	<u>0</u>	<u>95,000</u>	<u>0</u>	<u>95,000</u>
Total Assets	<u><u>\$ 128,045</u></u>	<u><u>\$ 525,472</u></u>	<u><u>\$ 494,702</u></u>	<u><u>\$ 158,815</u></u>
Liabilities				
Due To Student Groups	<u><u>\$ 128,045</u></u>	<u><u>\$ 525,472</u></u>	<u><u>\$ 494,702</u></u>	<u><u>\$ 158,815</u></u>

Portland Public Schools
Other Supplemental Information
Schedule of Bonded Debt
1997 Refunding Bonds
June 30, 2007

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2008	4.65%	\$ 115,000	\$ 23,131	\$ 23,131	\$ 161,262
2009	4.75%	115,000	20,458	20,458	155,916
2010	4.85%	115,000	17,726	17,726	150,452
2011	4.90%	115,000	14,938	14,938	144,876
2012	4.95%	120,000	12,120	12,120	144,240
2013	5.00%	120,000	9,150	9,150	138,300
2014	5.10%	120,000	6,150	6,150	132,300
2015	5.15%	120,000	3,090	3,090	126,180
Total		<u>\$ 940,000</u>	<u>\$ 106,763</u>	<u>\$ 106,763</u>	<u>\$ 1,153,526</u>

Portland Public Schools
Other Supplemental Information
Schedule of Bonded Debt
2001 School Building and Site Bonds
June 30, 2007

Year Ended June 30	Interest Rate	Principal May 1	Interest November 1	Interest May 1	Total Debt Requirement
2008	4.00%	\$ 695,000	\$ 257,950	\$ 257,950	\$ 1,210,900
2009	4.00%	695,000	244,050	244,050	1,183,100
2010	4.00%	695,000	230,150	230,150	1,155,300
2011	4.00%	695,000	216,250	216,250	1,127,500
2012	5.50%	790,000	202,350	202,350	1,194,700
2013	5.50%	880,000	180,625	180,625	1,241,250
2014	5.50%	120,000	156,425	156,425	432,850
2015	5.50%	0	153,125	153,125	306,250
2016	5.50%	0	153,125	153,125	306,250
2017	5.50%	0	153,125	153,125	306,250
2018	5.50%	0	153,125	153,125	306,250
2019	5.50%	0	153,125	153,125	306,250
2020	5.50%	1,225,000	153,125	153,125	1,531,250
2021	5.50%	1,225,000	122,500	122,500	1,470,000
2022	5.50%	1,225,000	91,875	91,875	1,408,750
2023	5.50%	1,225,000	61,250	61,250	1,347,500
2024	5.50%	1,225,000	30,625	30,625	1,286,250
Total		<u>\$ 10,695,000</u>	<u>\$ 2,712,800</u>	<u>\$ 2,712,800</u>	<u>\$ 16,120,600</u>

Portland Public Schools
Other Supplemental Information
Schedule of Bonded Debt
2002 Refunding Bonds
June 30, 2007

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2008	4.25%	\$ 615,000	\$ 81,334	\$ 81,334	\$ 777,668
2009	4.50%	615,000	68,265	68,265	751,530
2010	4.10%	615,000	54,428	54,428	723,856
2011	4.20%	615,000	41,820	41,820	698,640
2012	5.00%	615,000	28,905	28,905	672,810
2013	4.40%	615,000	13,530	13,530	642,060
Total		<u>\$ 3,690,000</u>	<u>\$ 288,282</u>	<u>\$ 288,282</u>	<u>\$ 4,266,564</u>

Portland Public Schools
Other Supplemental Information
Schedule of Bonded Debt
2005 Refunding Bonds
June 30, 2007

Year Ended June 30	Interest Rate	Principal May 1	Interest November 1	Interest May 1	Total Debt Requirement
2008	3.25%	\$ 45,000	\$ 160,406	\$ 160,406	\$ 365,812
2009	3.25%	45,000	159,675	159,675	364,350
2010	3.50%	45,000	158,944	158,944	362,888
2011	3.50%	45,000	158,156	158,156	361,312
2012	3.50%	45,000	157,369	157,369	359,738
2013	3.75%	45,000	156,581	156,581	358,162
2014	5.00%	1,005,000	155,738	155,738	1,316,476
2015	5.00%	1,215,000	130,613	130,613	1,476,226
2016	4.50%	1,215,000	100,238	100,238	1,415,476
2017	4.00%	1,215,000	72,900	72,900	1,360,800
2018	4.00%	1,215,000	48,600	48,600	1,312,200
2019	4.00%	1,215,000	24,300	24,300	1,263,600
Total		<u>\$ 7,350,000</u>	<u>\$ 1,483,520</u>	<u>\$ 1,483,520</u>	<u>\$ 10,317,040</u>

Portland Public Schools
Other Supplemental Information
Schedule of Bonded Debt
2006 Refunding Bonds
June 30, 2007

Year Ended June 30	Interest Rate	Principal May 1	Interest		Total Debt Requirement
			November 1	May 1	
2008	0.000%	\$ 0	\$ 136,056	\$ 136,056	\$ 272,112
2009	0.000%	0	136,056	136,056	272,112
2010	0.000%	0	136,056	136,056	272,112
2011	0.000%	0	136,056	136,056	272,112
2012	0.000%	0	136,056	136,056	272,112
2013	0.000%	0	136,056	136,056	272,112
2014	0.000%	0	136,056	136,056	272,112
2015	0.000%	0	136,056	136,056	272,112
2016	0.000%	0	136,056	136,056	272,112
2017	0.000%	0	136,056	136,056	272,112
2018	0.000%	0	136,056	136,056	272,112
2019	0.000%	0	136,056	136,056	272,112
2020	0.000%	0	136,056	136,056	272,112
2021	0.000%	0	136,056	136,056	272,112
2022	0.000%	0	136,056	136,056	272,112
2023	0.000%	0	136,056	136,056	272,112
2024	0.000%	0	136,056	136,056	272,112
2025	4.100%	1,280,000	136,056	136,056	1,552,112
2026	4.125%	1,315,000	109,816	109,816	1,534,632
2027	4.125%	1,310,000	82,694	82,694	1,475,388
2028	4.200%	1,310,000	55,675	55,675	1,421,350
2029	4.300%	1,310,000	28,165	28,165	1,366,330
Total		<u>\$ 6,525,000</u>	<u>\$ 2,725,358</u>	<u>\$ 2,725,358</u>	<u>\$ 11,975,716</u>

Portland Public Schools
Other Supplemental Information
Schedule of Bonded Debt
Durant Issue
June 30, 2007

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Requirement</u>
5/15/2008	\$ 0	\$ 0	\$ 0
5/15/2009	14,252	3,732	17,984
5/15/2010	14,930	3,053	17,983
5/15/2011	15,641	2,342	17,983
5/15/2012	16,385	1,597	17,982
5/15/2013	<u>90,001</u>	<u>30,825</u>	<u>120,826</u>
	<u>\$ 151,209</u>	<u>\$ 41,549</u>	<u>\$ 192,758</u>

Portland Public Schools
Other Supplemental Information
School Bond Loan Fund
June 30, 2007

Some bonds of the school district qualify for participation in the State of Michigan School Bond Loan Fund. If for any reason, the school district will be or is unable to pay the principal and interest on the bonds when due, then the school district shall borrow and the State of Michigan shall lend to it from the School Bond Loan Fund an amount sufficient to enable the school district to make the payment. The school district borrowed an amount of \$0 during the year ended June 30, 2007, in addition to the \$3,409,103 borrowed in previous years. Accrued interest as of June 30, 2007 is \$512,528 leaving a total balance owing of \$3,903,785 as of June 30, 2007.

The school district borrowed an additional \$694,121 from the State of Michigan School Bond Revolving Fund. Accrued interest as of June 30, 2007 is \$52,450, leaving a total balance owing of \$1,335,105 as of June 30, 2007.



INTERNAL AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Portland Public Schools
Portland, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portland Public Schools, Portland, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Portland Public Schools' basic financial statements and have issued our report thereon dated September 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Portland Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portland Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Portland Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

Board of Education
Portland Public Schools

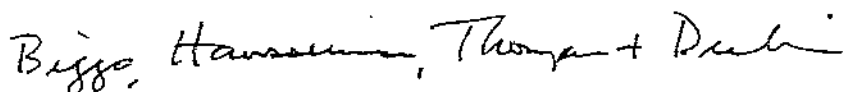
identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Portland Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Portland Public Schools in a separate letter dated September 13, 2007.

This report is intended solely for the information and use of management, the Board of Education, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

September 13, 2007



September 13, 2007

To the Board of Education
Portland Public Schools
Portland, Michigan

In planning and performing our audit of the financial statements of Portland Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Portland Public Schools internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Portland Public Schools internal control. Accordingly, we do not express an opinion on the effectiveness of the Portland Public Schools internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 13, 2007 on the financial statements of Portland Public Schools. Our comments are summarized as follows:

IRS 403(b) Final Regulations

The IRS has issued regulations that are generally effective for taxable years beginning after December 31, 2008.

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

The school district should take steps to determine its compliance with these new regulations.

New Interpretation of Deferred Compensation Rules Applicable to Teachers and Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation which can effect teachers and similar employees.

When employees defer part of their compensation to a future year, as occurs when school employees are paid over twelve months as opposed to the ten month school year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. The school district needs to comply with these new requirements to avoid subjecting employees to higher tax rates.

New Auditing Standards

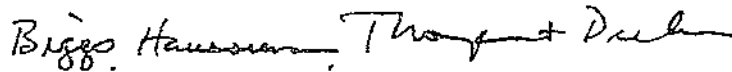
Recently, ten new auditing standards have been released and will become effective for your June 30, 2008 year end. The new standards will have an impact on our overall audit approach. Your internal controls will be emphasized with the new standards.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Portland Public Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Biggs, Hausserman, Thompson & Dickinson".

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.
Certified Public Accountants

BHT&D/klp